



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595
FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

September 24, 2019

Minnehaha County
415 North Dakota Avenue
Sioux Falls , SD 57104

In planning and performing our audit of the financial statements of Minnehaha County (County) as of December 31, 2018 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, we considered County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

Auditing standards generally accepted in the United States of America and *Government Auditing Standards* require that we provide you with this management letter to communicate:

1. Deficiencies Noted in Internal Control:
 - a. Deficiencies in internal control which are material weaknesses or significant deficiencies. Material weaknesses and significant deficiencies will be included in

the schedule of current audit findings included in the audit report and are summarized later in this letter.

- b. Deficiencies noted in internal control which did not rise to the level of being a material weakness or significant deficiency, yet are important enough to merit attention by those charged with governance. These deficiencies are described in detail later in this letter.
2. Violations of laws, rules and regulations and provisions of contracts or grant agreements.
 - a. Material violations of laws, rules and regulations and provisions of contracts or grant agreements. Material violations will be included in the schedule of current audit findings included in the audit report and are summarized later in this letter.
 - b. Immaterial violations of laws, rules and regulations and provisions of contracts or grant agreements. These violations are described in detail later in this letter.
3. All unadjusted proposed audit adjustments to the financial statements which were not corrected, including the nature, amount and effect of the uncorrected misstatements. These adjustments have been determined by management to be immaterial, both individually and in the aggregate, to the financial statements, taken as a whole. The lead schedule of potential audit adjustments has been given to and discussed with Minnehaha County Auditor and Minnehaha County Administrative Officer.

Deficiencies Noted in Internal Control Which Are Material Weaknesses Or Significant Deficiencies which are included in the schedule of current audit findings in the audit report:

The County's internal controls over the cash and investments reconciliation and reporting process were inadequate resulting in diminished assurance that the County's financial transactions were properly recorded and its assets were adequately safeguarded. This is further discussed in finding #2018-001.

Deficiencies Noted in Internal Control Which Did Not Rise To The Level Of Being A Material Weakness or Significant Deficiency Yet Important Enough To Merit Attention Of Those Charged With Governance:

Internal accounting controls over financial reporting were lacking in some areas resulting in adjustments to the annual financial report and an increase in audit time related to those issues. We recommend the County strengthen internal controls over financial reporting.

Material Violations of Laws, Rules, and Regulations and Provisions of Contract and Grant Agreements which are included in the schedule of current audit findings in the audit report:

None Disclosed

Immaterial Violations of Laws, Rules, and Regulations and Provisions of Contract and Grant Agreements

None Disclosed

We also noted other less significant items through out the course of the audit that were discussed with management.

This communication is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of Minnehaha County and is not intended to be and should not be used by anyone other than these specified parties. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

If you have any questions, please contact me.

Sincerely,

Jeff Schaefer
Auditor-in-Charge

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:***Internal Control-Related Findings - Significant Deficiencies:*****Cash Internal Control Deficiencies****Finding # 2018-001:****Criteria:**

The County's internal controls over the cash and investments reconciliation and reporting process were inadequate resulting in diminished assurance that the County's financial transactions were properly recorded and its assets were adequately safeguarded.

Condition:

United States General Accounting Office, Government Auditing Standards, 2011 revisions, state:

Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; noncompliance with provisions of laws, regulations, contracts or grant agreements; or abuse.

We noted the following deficiencies in internal controls in the cash and investment reconciliation and reporting process:

- The County has not presented a monthly verification of the treasurer's accounts to the Board of County Commissioners since June of 2018. SDCL 7-10-3 requires that a monthly verification of treasurer's accounts be reported to the board of county commissioners at each regular meeting. This monthly verification serves as a check and balance of the Treasurer's Office by verifying all cash items and bank accounts in the possession or control of the Treasurer's Office.
- The County had not performed a complete reconciliation of the recorded cash and investments to the financial institution's balances since July of 2018. Such reconciliation is necessary to detect errors in the County's accounting system or errors made by the financial institutions.

Effect:

The County is not in compliance with SDCL 7-10-3 and the County was exposed to an increased risk of accounting error or irregularities not being detected in a timely manner. The County was also exposed to greater risk that management decisions could be made using inaccurate cash and investment balances.

Cause:

The County implemented a new computer system as of May 1, 2018. Some of the necessary records and required reconciliations were not completed after the implementation of the new accounting system.

Recommendations:

1. We recommend the County prepare and present a monthly verification of the Treasurer's accounts to the Board of County Commissioners as required by SDCL 7-10-3.
2. We recommend the County perform a reconciliation of the recorded cash and investments to the financial institution's balance on a monthly basis.

Views of responsible officials: